Oil and Gas Industry Day

February 26, 2013 Utah State Tax Commission

Oil & Gas Discount Rate

Comparable Companies

- Abraxas Petrol
- Berry Petroleum 'A'
- Bill Barrett Corp
- Continental Resources
- Double Eagle Petroleum Co
- Encana Corp
- Gasco Energy Inc
- GMX Resources Inc
- Isramco Inc
- Kodiak Oil & Gas
- Legacy Reserves
- Pioneer Natural Res.
- QEP Resources
- Resolute Energy Corp
- Ultra Petroleum
- Warren Resources Inc
- Whiting Petroleum Corp

Reasoning:

- Operations in Rocky Mountains
- No significant off-shore production
- No significant international production

Comparable Companies

Dropped

- Forest Oil Corporation
- Quicksilver Resources

Added

• Continental Resources, Inc.

Debt Rate

- The debt rate is determined by using the bond ratings for companies that are publicly available from Standards & Poor.
- Each bond rating is assigned a standard weight and that standard weight will have a corresponding bond rate.

Debt Rate (cont'd)

• The bond rate is determined from the Bond Study that is conducted by the Utah State Tax Commission Property Tax Division.

Mergent / S&P	Weight	Bond Rate	Mergent/ S&P	Weight	Bond Rate
AAA / AAA	1	3.65%	Ba3 / BB-	7	7.60%
AA / AA	2	3.70%	B1 / B+	8	8.99%
A1/ A+	3	3.98%	B2 / B	9	8.99%
A2 / A	3	3.98%	B3 / B-	10	10.62%
A3 / A-	3	3.98%	Caa1 / CCC+	11	10.62%
Baa1 / BBB+	4	4.63%	Caa2 / CCC	12	13.26%
Baa2 / BBB	4	4.63%	Caa3 / CCC-	13	14.92%
Baa3 / BBB-	4	4.63%	Ca / CC	14	16.16%
Ba1 / BB+	5	7.38%	C/C	15	23.40%
Ba2 / BB	6	7.60%			

Debt Rate (cont'd)

- We will average the weight to determine which bond rate to use from the Bond Study.
 - The bond rate obtained from the average weight will be the debt rate.

Company	Bond Rating Mergent / S&P	Weight
Company	Mergent / Sar	weight
Abraxas Petrol		
Berry Petroleum `A'	BB-	7
Bill Barrett Corp	BB-	7
Continental Resources		
Double Eagle Petroleum		
Encana Corp.	BBB	4
Gasco Energy Inc		
GMX Resources Inc.		
Isramco Inc.		
Kodiak Oil & Gas	В	9
Legacy Reserves	В	9
Pioneer Natural Res.	BBB-	4
QEP Resources	BB+	5
Resolute Energy Corp	В	9
Ultra Petroleum		
Warren Resources Inc		
Whiting Petroleum Corp	BB+	5
Total		
	Simple Avg:	(7)

Mergent/ S&P	Weight	Bond Rate
Ba3 / BB-	7	7.60%
B1 / B+	8	8.99%
B2 / B	9	8.99%
B3 / B-	10	10.62%
Caa1 / CCC+	11	10.62%
Caa2 / CCC	12	13.26%
Caa3 / CCC-	13	14.92%
Ca / CC	14	16.16%
C/C	15	23.40%

Equity Rate

- The equity rate is determined from the following equity models:
 - CAPM
 - Dividend Growth Model
 - Risk Premium Model

RPM CAPM DGM

Company Name
ABRAXAS PETROL
BERRY PETROL. A
BILL BARRETT
CONTINENTAL RES
DOUBLE EAGLE PET & MIN
ENCANA CORP.
GASCO ENERGY
GMX RESOURCES
ISRAMCO INC.
KODIAK OIL & GAS
LEGACY RESERVES
PIONEER NATURAL RES.
QEP RESOURCES
RESOLUTE ENERGY CORP
ULTRA PETROLEUM CORP
WARREN RESOURCES
WHITING PETROLUEM
Mean
Median

Rel	ative				Stock
Financial Strength			Bond Rate	Beta	Price
C++	1.22			1.75	\$ 2.00
В	1.11		BB-	1.80	\$ 32.34
В	1.11		BB-	1.35	\$ 17.49
B++	0.89			1.65	\$ 70.82
C++	1.22			1.50	\$ 3.90
B+	1		BBB	1.20	\$ 19.59
C++	1.33			1.65	\$ 0.07
С	1.44			1.75	\$ 0.50
В	1.11			0.85	\$ 97.45
В	1.11		В	1.65	\$ 8.55
B+	1		В	1.10	\$ 23.18
Α	0.78		BBB-	1.50	\$ 102.41
B++	0.89		BB+	1.35	\$ 29.61
B++	0.89		В	0.70	\$ 7.99
В	1.11			1.10	\$ 18.05
C++	1.22			2.10	\$ 2.75
B+	1		BB+	1.75	\$ 41.67
1.08				1.46	
1.11				1.50	

		DGIVI		
	Projected Earnings Growth	Projected Dividend Growth	Current Dividends	D.G.M. Rate
	21.00% 9.00% 26.66%	12.00%	\$0.35	17.58%
	6.00%	-2.00%	\$0.80	6.08%
	50.00% 31.00%	16.50%	\$0.08	23.83%
	28.70% 2.50%		\$0.11	
ŀ	10.16%			
	20.56%	8.83%	<i>\$0.34</i>	15.83%
	21.00%	12.00%	\$0.23	17.58%

Equity Rate

CAPM

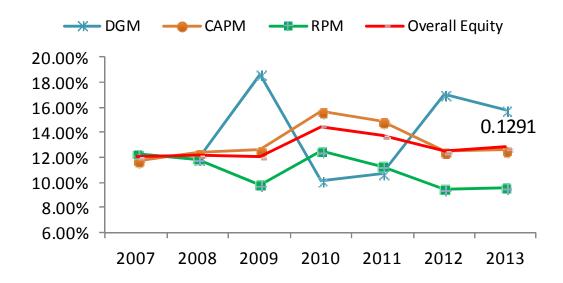
Market Risk Premium	6.70%
Industry Beta (Risk Factor)	x_ 1.50
Industry Risk Premium	10.05%
Add: Risk-Free Rate	2.54%
Cost of Equity Rate - CAPM	12.59%

Risk Premium Model

Market Risk Premium	6.70%
Industry Relative Financial Strength (Risk	x 1.08
Industry Risk Premium	7.24%
Add: Risk-Free Rate	2.54%
Cost of Equity Rate - Risk Premium	9.78%

- Market Risk Premium -2013 Ibbotson Risk Premia Over Time Report
- Beta-Median from comparables
- Relative Financial Strength- Average from comparables
- Risk-Free Rate- Current Risk Free Rate

Equity Rate



			WEIGHTED
EQUITY MODELS	RATE	WEIGHTING	RATE
Dividend Growth Model	15.83%	10%	1.58%
Capital Asset Pricing Model	12.59%	90%	11.33%
Risk Premium Model	9.78%	0%	0.00%

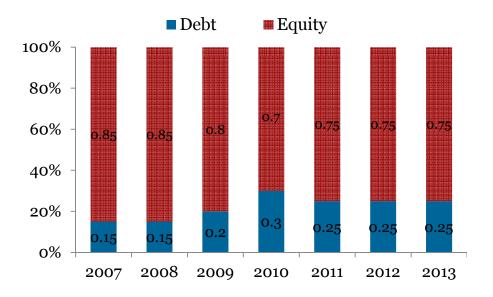
EQUITY RATE 12.91%

Capital Structure

Company Name	% Debt	% Equity
ABRAXAS PETROL	28%	72%
BERRY PETROL. A	44%	56%
BILL BARRETT	44%	56%
CONTINENTAL RES	8%	92%
DOUBLE EAGLE PET & MIN	20%	38%
ENCANA CORP.	31%	69%
GASCO ENERGY	51%	49%
GMX RESOURCES	59%	14%
ISRAMCO INC.	17%	83%
KODIAK OIL & GAS	17%	83%
LEGACY RESERVES	16%	84%
PIONEER NATURAL RES.	19%	81%
QEP RESOURCES	35%	65%
RESOLUTE ENERGY CORP	21%	79%
ULTRA PETROLEUM CORP	37%	63%
WARREN RESOURCES	20%	80%
WHITING PETROLUEM	14%	86%
Mean	28.29%	67.58%
Weighted or Total	23.76%	76.06%

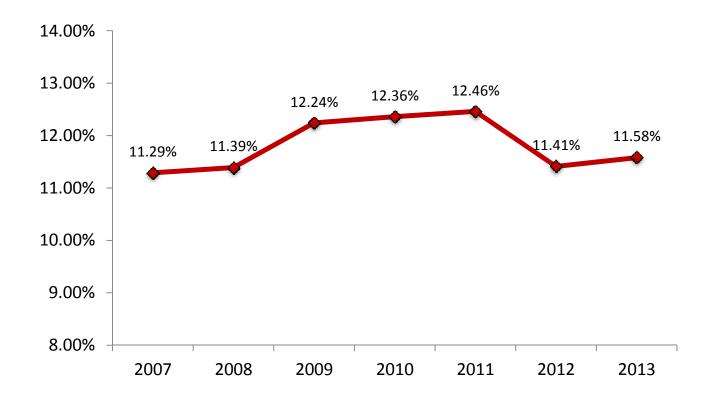
Capital Structure Used:

Debt: 25% Equity: 75%



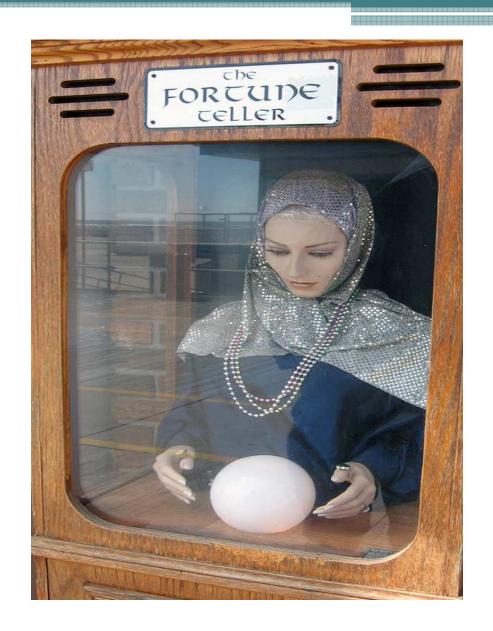
WEIGHTED AVERAGE COST OF CAPITAL - DISCOUNT RATE CALCULATION CAPITAL WEIGHTED STRUCTURE RATE EQUITY RATE 12.91% 75% 9.68% DEBT RATE (BA3) 7.60 25% 1.90% WEIGHTED AVERAGE COST OF CAPITAL 11.58%

WACC



Oil & Gas

Oil Price Forecast



R884-24P-10

"Product Price"

•Starting price as defined by Tax Code is the weighted average posted price of the previous year.

2013 Oil Price Differentials

	Western Refining Paradox Posted	Chevron (East of Rockies) WTI Posted	2013 Indicated	2012 Indicated
Averages	Oil Prices	Oil Prices	Differential	Differential
10 year	61.63	68.71	7.09	6.62
5 year	73.74	82.72	8.98	8.84
3 year	77.51	86.17	8.66	9.60
2 year	82.48	91.19	8.71	8.54
1 year	81.87	90.77	8.90	8.53
Used fo	or Assessment		8.90	8.55

Note: Benchmark used is Chevron WTI (East of Rockies)

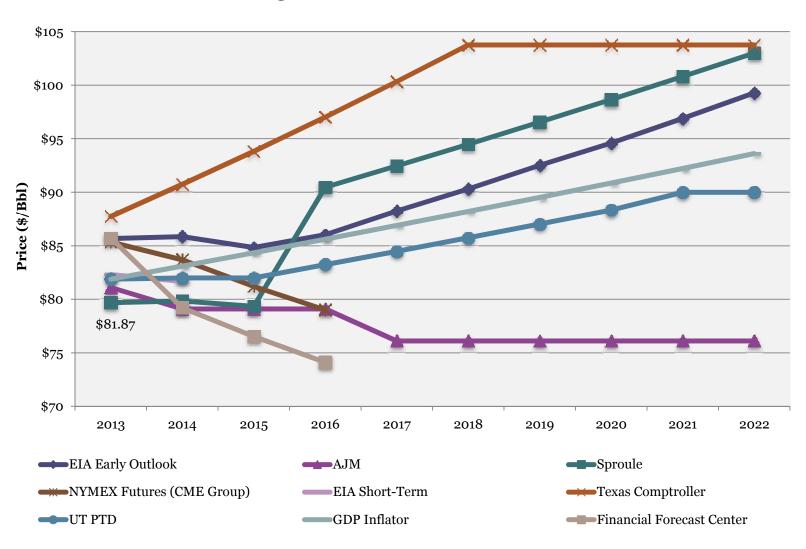
	Chevron Uinta Basin Black Wax Posted	Chevron (East of Rockies) WTI Posted	2013 Indicated	2012 Indicated
Averages	Oil Prices	Oil Prices	Differential	Differential
10 year	59.75	68.71	8.96	8.06
5 year	71.03	82.72	11.69	11.65
3 year	75.62	86.17	10.55	10.48
2 year	79.76	91.19	11.43	9.74
1 year	78.59	90.77	12.18	10.68
Used f	or Assessment		11.75	10.50

Note: Benchmark used is Chevron WTI (East of Rockies)

Sources For Oil Prices Used

- ▶ US EIA Early Outlook Energy Information Administration annual energy forecast
- ▶ US EIA Short Term Outlook Energy Information Administration (section of the U.S. Dept. of Energy Annual Forecast)
- ▶ NYMEX (CME Group) New York Mercantile Exchange for futures prices
- Sproule Associates Petroleum consultant company annual forecast
- AJM Petroleum Consultants Petroleum consultant company annual forecast
- ▶ Texas Comptroller Provided an oil escalation or factor to apply to oil price start prices
- ▶ GDP Inflator Average GDP inflation 1.5%
- ▶ Financial Forecast Center Independent financial forecaster

2013 Oil Price Paradox Basin Sources



Market Forecasts

2013 Oil Prices Paradox Basin Sources

	UT PTD			EIA Short-Term			EIA	A Early O	utlook	NYM	EX Futur Group	res (CME o)	Texas Comptroller			
	Paradox Basin	Difftl	Paradox Basin	WTI	Difftl	Paradox Basin	WTI	Difftl	Paradox Basin	WTI	Difftl	Paradox Basin	WTI	Factor	Paradox Basin	
2013	81.87	0.00	81.87	92.81	8.90	83.91	96.81	8.90	87.91	94.24	8.90	85.34	90.88	0.965	87.74	
2014	82.00	0.00	82.00	92.17	8.90	83.27	97.00	8.90	88.10	92.59	8.90	83.69	93.98	1.034	90.73	
2015	82.00	0.00	82.00				95.91	8.90	87.01	90.10	8.90	81.20	97.18	1.034	93.83	
2016	83.23	0.00	83.23				97.00	8.90	88.10	87.90	8.90	79.00	100.50	1.034	97.02	
2017	84.48	0.00	84.48				99.08	8.90	90.18		8.90		103.92	1.034	100.33	
2018	85.75	0.00	85.75				101.20	8.90	92.30		8.90		107.47	1.034	103.75	
2019	87.03	0.00	87.03				103.36	8.90	94.46		8.90		107.47	1.000	103.75	
2020	88.34	0.00	88.34				105.57	8.90	96.67		8.90		107.47	1.000	103.75	
2021	90.00	0.00	90.00				107.83	8.90	98.93		8.90		107.47	1.000	103.75	
2022	90.00	0.00	90.00				110.14	8.90	101.24				107.47	1.000	103.75	

	Sproule			АЈМ			GDP Inflator			Finan	cial Fore	cast Center	Market (Avg of Sources Used)		
			Paradox			Paradox			Paradox			Paradox			Paradox
	WTI	Difftl	Basin	WTI	Difftl	Basin	WTI	Difftl	Basin	WTI	Difftl	Basin	WTI	Difftl	Basin
2013	88.57	8.90	79.67	90.00	8.90	81.10	94.20	8.90	81.87	98.98	8.90	90.08	91.29	8.90	82.39
2014	88.75	8.90	79.85	88.00	8.90	79.10	95.61	8.90	83.10	95.24	8.90	86.34	85.37	8.90	76.47
2015	88.24	8.90	79.34	88.00	8.90	79.10	97.05	8.90	84.34	91.98	8.90	83.08	91.59	8.90	82.69
2016	99.37	8.90	90.47	88.00	8.90	79.10	98.50	8.90	85.61	89.86	8.90	80.96	92.84	8.90	83.94
2017	101.35	8.90	92.45	85.00	8.90	76.10	99.98	8.90	86.89				97.15	8.90	88.25
2018	103.38	8.90	94.48	85.00	8.90	76.10	101.48	8.90	88.20				99.00	8.90	90.10
2019	105.45	8.90	96.55	85.00	8.90	76.10	103.00	8.90	89.52				98.91	8.90	90.01
2020	107.56	8.90	98.66	85.00	8.90	76.10	104.55	8.90	90.86				99.95	8.90	91.05
2021	109.71	8.90	100.81	85.00	8.90	76.10	106.12	8.90	92.23				101.07	8.90	92.17
2022	111.90	8.90	103.00	85.00	8.90	76.10	107.71	8.90	93.61				104.45	8.90	95.55

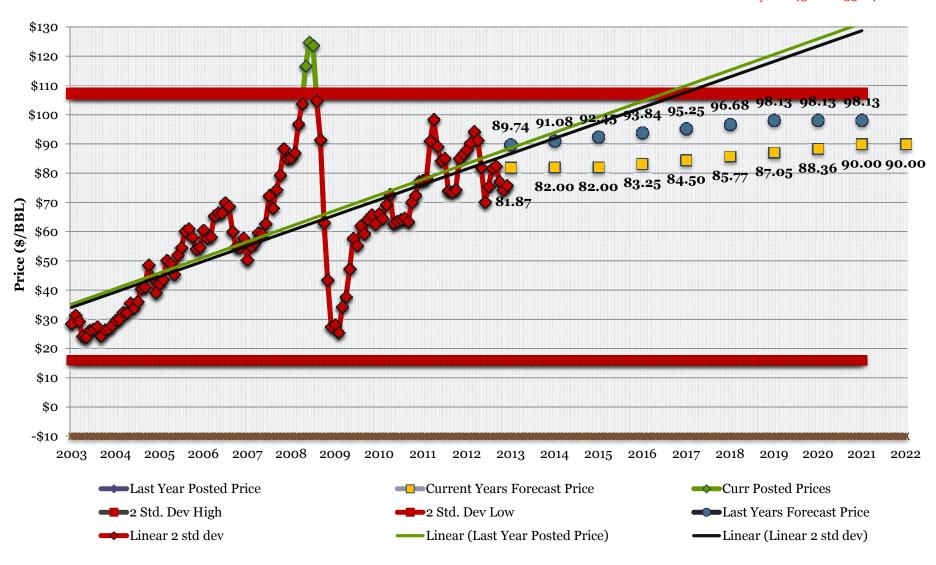
2013 Oil Price Forecast Paradox basin Summary

	2012	2013	2014	2015	2016	2017	2018 2019	2020	2021 2022
Average of 2011 Monthly Prices	83.09	2013	2014	2013	2010	2017	2010 2013	2020	2021 2022
Forecast with High & Low to 2 std dev		81.87	82.00	82.00	83.23	84.48	85.75 87.00	88.26	90.00 90.00
% Increase / Decrease									2.0% 0.0%

2013 Oil Price Forecast Black Wax Summary

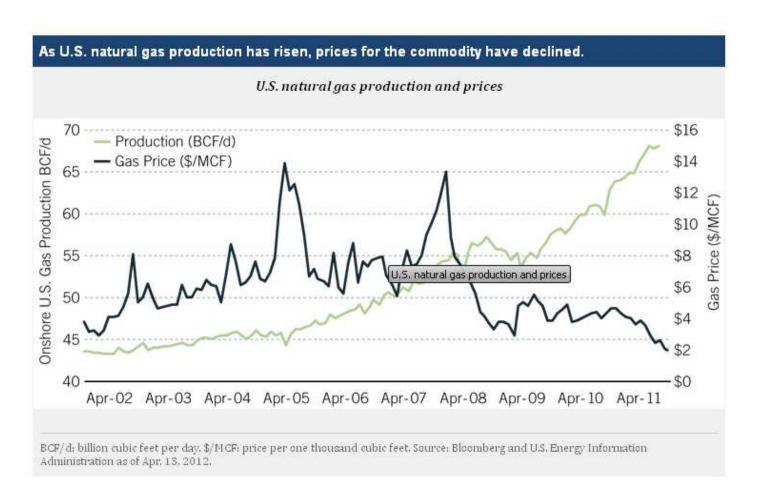
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Average of 2011 Monthly Prices	80.93										
Forecast with High & Low to 2 std dev		78.59	78.75	78.75	79.95	81.17	82.42	83.69	84.98	86.65	86.65
% Increase / Decrease			0.2%	0.0%	1.5%	1.5%	1.5%	1.5%	1.5%	2.0%	0.0%

2013 Oil Price Forecast Paradox Basin Comparison by Years y = 0.4449x + 34.708 y = 0.4381x + 33.642

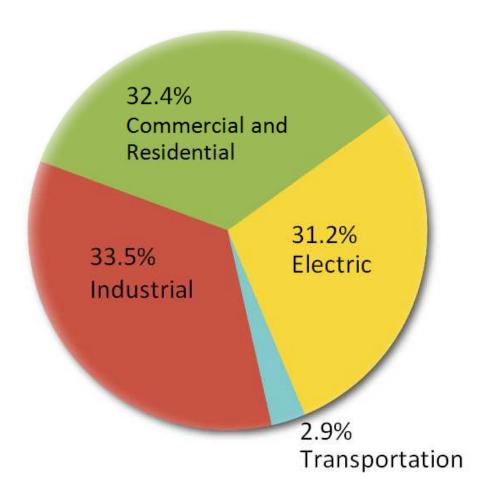


Gas Pricing

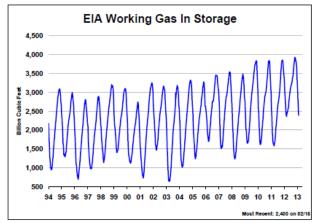
Unlocking a Growing Supply

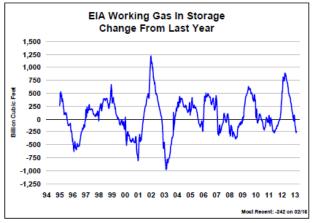


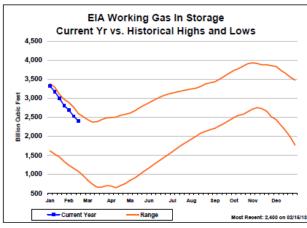
Domestic Consumption

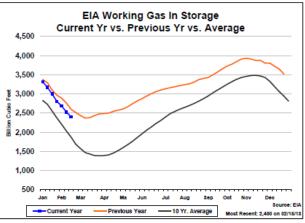


Supply in Storage



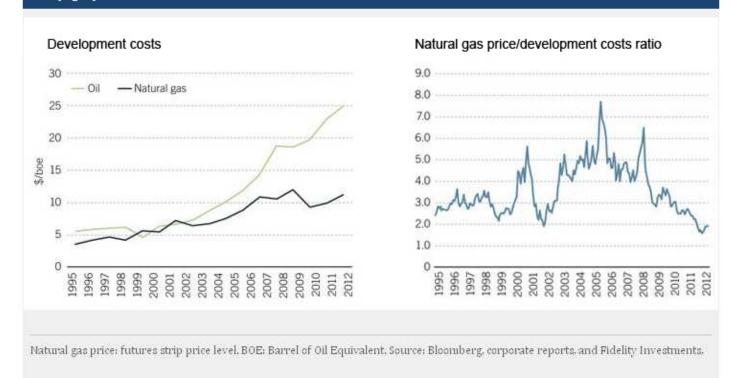






Finding and Development Costs

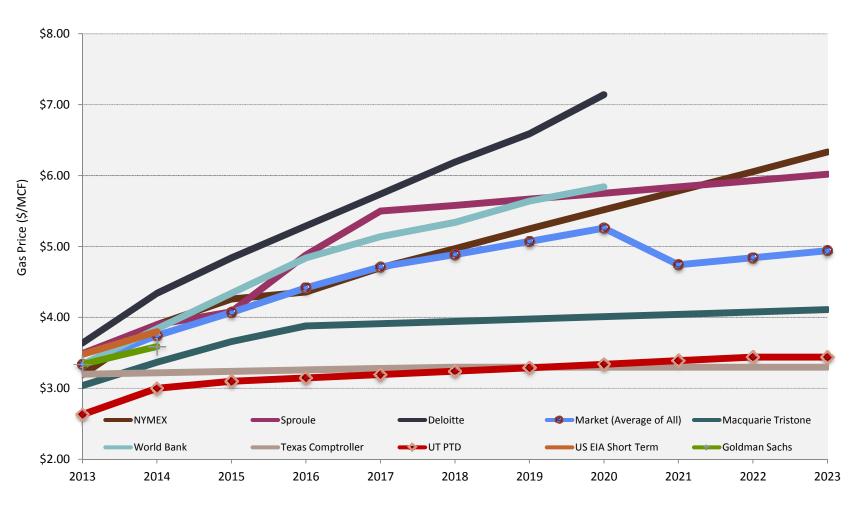
Finding and development (production) costs for oil continue to rise, while production costs for natural gas have remained fairly stable (left). The price of natural gas relative to production costs is low (right).



Henry Hub Futures Prices

- ▶ US EIA Short Term Outlook Energy Information Administration (section of the U.S. Dept. of Energy Annual Forecast)
- ▶ NYMEX New York Mercantile Exchange for futures prices
- Sproule Associates Petroleum consultants annual forecast
- ▶ Deloitte − Petroleum consultants annual forecast
- ▶ Texas Comptroller Escalation factor to apply to oil and natural gas industry assessment for the State of Texas
- ▶ Macquarie Tristone Energy lenders' price forecast survey
- ▶ Goldman Sachs Finance and investment consultants annual forecast
- ▶ World Bank International finance firm annual forecast
- GDP Inflator Average GDP inflation 1.5%

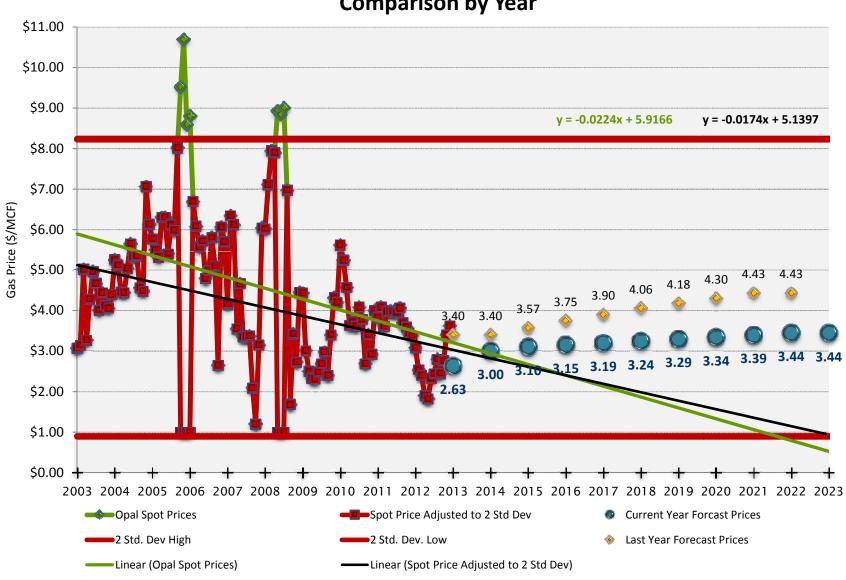
2013 Gas Price Estimate Comparison Adjusted to Opal, Wyoming



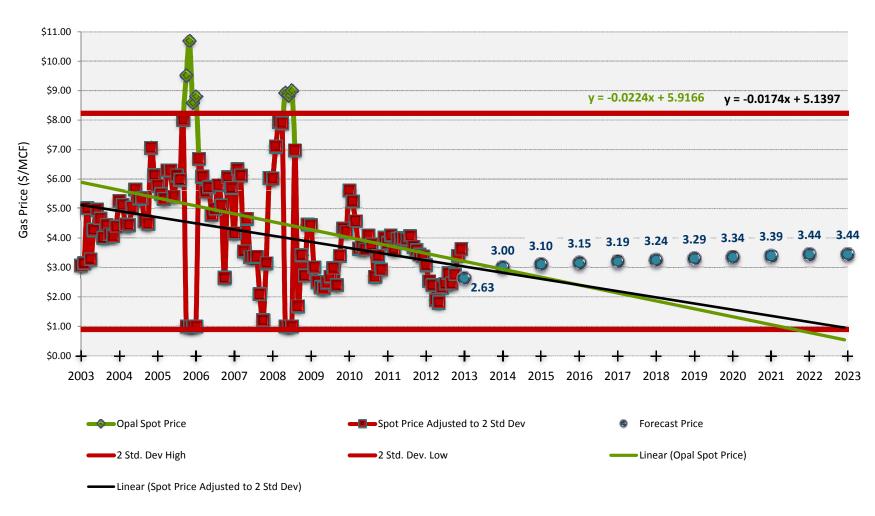
2013 Gas Price Forecast

2013 Gas Price Forecast Opal, Wyoming Summary													
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Average 2012 Price Forecast with High & Low OUT	3.80	2.63	3.00	3.10	3.15	3.19	3.24	3.29	3.34	3.39	3.44	3.44	
% Change			14.1%	3.3%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	0.0%	

2013 - Gas Price Forecast/Regression Comparison by Year



2013 - Gas Price Forecast2 Standard DeviationsHigh and Low Out



Henry Hub vs Opal Wyoming Spot Price Differential

